

and A was engaged in the active conduct of a trade or business of PRS during 1991. Under section 179(b)(3)(B) and § 1.179-3(a), A may carry forward the remaining \$1,000 A elected to expense, which would have been deductible under section 179(a) for 1991 absent the taxable income limitation.

[T.D. 8455, 57 FR 61318, Dec. 24, 1992, as amended by T.D. 9146, 69 FR 46983, Aug. 4, 2004]

§ 1.179-2T Limitations on amount subject to section 179 election (temporary).

(a) [Reserved] For further guidance, see § 1.179-2(a).

(b) *Dollar limitation*—(1) *In general.* The aggregate cost of section 179 property that a taxpayer may elect to expense under section 179 for any taxable year beginning in 2003 and thereafter is \$25,000 (\$100,000 in the case of taxable years beginning after 2002 and before 2006 under section 179(b)(1), indexed annually for inflation under section 179(b)(5) for taxable years beginning after 2003 and before 2006), reduced (but not below zero) by the amount of any excess section 179 property (described in paragraph (b)(2) of this section) placed in service during the taxable year.

(b)(2) and (b)(2)(i) [Reserved] For further guidance, see § 1.179-2(b)(2) and (b)(2)(i).

(ii) \$200,000 (\$400,000 in the case of taxable years beginning after 2002 and before 2006 under section 179(b)(2), indexed annually for inflation under section 179(b)(5) for taxable years beginning after 2003 and before 2006).

(b)(3) through (d) [Reserved] For further guidance, see § 1.179-2(b)(3) through (d).

[T.D. 9146, 69 FR 46983, Aug. 4, 2004]

§ 1.179-3 Carryover of disallowed deduction.

(a) *In general.* Under section 179(b)(3)(B), a taxpayer may carry forward for an unlimited number of years the amount of any cost of section 179 property elected to be expensed in a taxable year but disallowed as a deduction in that taxable year because of the taxable income limitation of section 179(b)(3)(A) and § 1.179-2(c) (“carryover of disallowed deduction”). This carryover of disallowed deduction may be deducted under section 179(a) and

§ 1.179-1(a) in a future taxable year as provided in paragraph (b) of this section.

(b) *Deduction of carryover of disallowed deduction*—(1) *In general.* The amount allowable as a deduction under section 179(a) and § 1.179-1(a) for any taxable year is increased by the lesser of—

(i) The aggregate amount disallowed under section 179(b)(3)(A) and § 1.179-2(c) for all prior taxable years (to the extent not previously allowed as a deduction by reason of this section); or

(ii) The amount of any unused section 179 expense allowance for the taxable year (as described in paragraph (c) of this section).

(2) *Cross references.* See paragraph (f) of this section for rules that apply when a taxpayer disposes of or otherwise transfers section 179 property for which a carryover of disallowed deduction is outstanding. See paragraph (g) of this section for special rules that apply to partnerships and S corporations and paragraph (h) of this section for special rules that apply to partners and S corporation shareholders.

(c) *Unused section 179 expense allowance.* The amount of any unused section 179 expense allowance for a taxable year equals the excess (if any) of—

(1) The maximum cost of section 179 property that the taxpayer may deduct under section 179 and § 1.179-1 for the taxable year after applying the limitations of section 179(b) and § 1.179-2; over

(2) The amount of section 179 property that the taxpayer actually elected to expense under section 179 and § 1.179-1(a) for the taxable year.

(d) *Example.* The following example illustrates the provisions of paragraphs (b) and (c) of this section.

Example. A, a calendar-year taxpayer, has a \$3,000 carryover of disallowed deduction for an item of section 179 property purchased and placed in service in 1991. In 1992, A purchases and places in service an item of section 179 property costing \$25,000. A's 1992 taxable income from the active conduct of all A's trades or businesses is \$100,000. A elects, under section 179(c) and § 1.179-5, to expense \$8,000 of the cost of the item of section 179 property purchased in 1992. Under paragraph (b) of this section, A may deduct \$2,000 of A's carryover of disallowed deduction from 1991 (the lesser of A's total outstanding carryover of disallowed deductions (\$3,000), or the amount of any unused section 179 expense allowance for 1992 (\$10,000 limit less \$8,000